

Abstract

The aim of this thesis is to provide the assessment of trade-quality relationship for European Union. This thesis is beneficial as it answers the question if quality substantively affects traded volume and economic development in EU. Further, it should be helpful to decision making procedure concerning international trade as it identifies exported product characteristics which can lead to faster economic growth. This thesis verifies whether export sophistication positively influences traded volume in 27 members of the EU (Luxembourg is excluded due to limits in data) in year 2013. The most recent innovations in quality measurement and estimation technique, the quality index and two stages of gravity model of international trade are applied in this thesis to be the most accurate and up-to-date as possible. This thesis confirms that sophistication in EU presents significant factor of products and the rise in quality helps to more intensive trade and can result in faster economic growth. The result was checked for possible biases in two specifications, in single country and industry level estimations. The importance of quality for trade was supported in all these concretizations.